

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System            )           Docket No. ER20-1702-000**  
**Operator Corporation                    )**

**ANSWER OF THE CALIFORNIA INDEPENDENT  
SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (CAISO) submits its answer to the comments filed by the Northern California Power Agency (NCPA) in the above-referenced proceeding.<sup>1</sup> This proceeding concerns the Split Resource Participation Agreement (Agreement) between the CAISO and CCFC Sutter Energy, LLC (Calpine). No party opposes acceptance of the Agreement. Calpine and the Balancing Authority of Northern California (BANC) support acceptance of the Agreement. NCPA does not oppose acceptance of the Agreement, but seeks conditional acceptance.

**I.       Summary**

NCPA requests additional details regarding the Agreement, including matters addressed by an allocation protocol under development, but admits these details appropriately constitute implementation details not necessary for accepting the Agreement under the Commission's rule of reason. Although NCPA's request that the Commission condition acceptance of the Agreement on an informational filing is not justified, the CAISO nonetheless provides certain

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<sup>1</sup> The CAISO submits this answer pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213.

additional information in this Answer in response to the NCPA questions. NCPA also requests that the Commission condition its acceptance of the Agreement on the replacement of the Agreement by generally applicable rules that the CAISO is currently developing pursuant to an ongoing stakeholder process.<sup>2</sup> This directive also is unnecessary because the CAISO has already included in the filed Agreement a contractual right that allows the CAISO to terminate the Agreement if the CAISO tariff is amended to provide for market participation in a manner substantially similar to the split resource provisions of the Agreement. Given the lack of opposition, and with the information the CAISO provides in this answer, the Commission should accept the Agreement without further condition.

NCPA further asks that the Commission require the CAISO to submit an informational filing responding to various questions about how the CAISO will apply its existing Commission-approved tariff requirements to the specific circumstances presented by Calpine's split resource participation in accordance with the terms of Agreement.<sup>3</sup> NCPA acknowledges that under the Commission's "rule of reason," only provisions that "significantly affect rates, terms and conditions' of service" need be included in tariffs, rate schedules, and

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<sup>2</sup> The Agreement refers to Calpine's participation by a split resource, while the CAISO's policy proposal refers to participation by shared resources. This terminology difference acknowledges that shared resources may include multiple owners with varying percentage interests in the resource, while the Agreement splits a single owner resource in two parts. Accordingly, the stakeholder initiative may consider additional questions concerning the sharing of resources not raised by the Agreement. See Pseudo-Ties of Shared Resources: Issue Paper & Straw Proposal, CAISO (May 7, 2020), <http://www.aiso.com/InitiativeDocuments/IssuePaper-StrawProposal-Pseudo-Ties-SharedResources.pdf>.

<sup>3</sup> NCPA at 3-7.

service agreements on file with the Commission.<sup>4</sup> NCPA further concedes that, “under the Commission’s rule of reason policy, resolution of those implementation details [that NCPA seeks] is not necessary for [the Agreement’s] acceptance.”<sup>5</sup> NCPA correctly notes the implementation details it requests need not be filed for Commission review or acceptance, and therefore identifies no legal basis for requiring the CAISO to submit the proposed informational filing.<sup>6</sup> Nonetheless, in the interest of promoting greater transparency, the CAISO provides certain additional information in this Answer in response to NCPA’s questions.

## **II. Answer**

The CAISO acknowledges that applying its tariff to pseudo-tie participation by a split resource raises complexities not presented by pseudo-tie participation from a whole resource.<sup>7</sup> In fact, the entire purpose of the split resource allocation protocol required by the Agreement is to document how existing CAISO tariff requirements are implemented for Calpine’s split resource participation, with final approval of the allocation protocol required from the CAISO prior to implementation. NCPA questions the CAISO’s characterization of the

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<sup>4</sup> *Id.* at 4.

<sup>5</sup> *Id.* at 7.

<sup>6</sup> *See, e.g., California Independent System Operator Corp.*, 119 FERC ¶ 61,076, at P 656 (2007) (“We have consistently rejected arguments that every manual or operating procedure should be on file with the Commission. Requiring such documents to be on file would thwart our “rule of reason” and undermine the practical purpose of having a tariff on file with the Commission, supported by detail included in Business Practice Manuals [and operating procedures] not on file.”).

<sup>7</sup> CAISO Transmittal Letter at 4 (explaining that the allocation of outages is necessarily complex).

Agreement as a “simple” solution to the complex problem of allowing a single resource that is physically located on Western Area Power Administration’s transmission system to be simultaneously pseudo-tied into the Sacramento Municipal Utility District (SMUD) and CAISO balancing authority areas.<sup>8</sup> The CAISO used the term “simple” merely to describe the modeling of the split resources, *i.e.*, the model will include characteristics associated with a simple generating unit rather than the multi-stage generator model that represents the entire resource, not to suggest that the exercise of implementing the Agreement is simple. NCPA’s comments suggest that the complexities are not appreciated or might be ignored, and that there are unanswered questions about how the CAISO will implement some tariff provisions in relation to the Agreement. However, the Agreement already requires that Calpine comply with all applicable CAISO tariff requirements, without exception, and the mere fact that the implementation is complex or requires consideration of implementation details that may affect outcomes under the current CAISO tariff rules does not mean they *significantly* affect the rates, terms, and conditions of service. The requirement to develop implementation details pursuant to an allocation protocol, regardless of complexity or the potential to affect an outcome pursuant to a Commission approved CAISO tariff requirement, does not violate the Commission’s rule of reason. The CAISO routinely develops Business Practice Manuals to provide implementation details to market participants, based on Commission approved CAISO tariff requirements. Although these Business

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<sup>8</sup> NCPA at 3.

Practice Manuals are public because they generally apply to all market participants, the allocation protocol addresses specific (and confidential) information for a single market participant, and hence, is appropriately confidential. The allocation protocol must necessarily account for specific contractual and operational considerations that are not public. These types of details generally and appropriately are non-public. For example, for pseudo-tie participation by whole resources under the CAISO tariff, the CAISO does not publish many such implementation details in order to prevent specific market participants from being placed at a competitive disadvantage relative to other resources. Further, most generator specific information contained in Master File is confidential and not made available to the other market participants.

NCPA references several areas of consideration that raise “unanswered questions about how CAISO will *implement* other tariff provisions and reliability requirements” (emphasis added).<sup>9</sup> While recognizing these are implementation details, NCPA seeks more information about how the CAISO will address its questions. As explained in the CAISO’s filing and reiterated above, documenting these operational details is the sole purpose of the allocation protocol, and nothing in the protocol will – or can – modify any requirement of the CAISO tariff. The Commission will not have specifically accepted the protocol. Nonetheless, the CAISO provides information in response to NCPA’s specific questions to reassure the Commission that the protocol will focus exclusively on

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<sup>9</sup> NCPA Comments at 4-5.

implementation details. In so doing, the CAISO will also answer many of NCPA's questions. No further reporting should be necessary.

#### **A. Monitoring**

NCPA recognizes that the Department of Market Monitoring (DMM) will monitor participation by the split resources under the CAISO tariff and seeks details on how the CAISO will accomplish this task.<sup>10</sup> NCPA (1) suggests that the explanations offered by the CAISO on the appropriate settlement differences between the resources or how each split resource will be modeled illustrate that opportunities for gaming and market power could be created, and (2) states that the details of the allocation protocol must be generally known for proper oversight to occur. Leaving aside that comparable levels of details concerning how DMM monitors the participation of other resources is not something specified in the CAISO tariff, the CAISO confirms that DMM will be provided a copy of the final split resource allocation protocol for purposes of determining the appropriate means of monitoring. DMM will have access to all of the data concerning participation by the resources and will be in a position to monitor, among other things, any issues associated with the allocation of outages that may be inconsistent with the registered resource characteristics or the allocation of costs inconsistent with the CAISO tariff commitment cost registration requirements. It is unnecessary for the Agreement to require specific allocation details beyond the requirement that the details be documented for DMM to monitor participation by a split resource in accordance with the CAISO tariff, provided they have access to

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<sup>10</sup> *Id.* at 5.

the protocol and the information for monitoring, which they will.

## **B. Modeling**

The CAISO appreciates the significance of modeling each split resource in a manner that recognizes resource limitations, such as minimum load, that would otherwise not present an issue when modeling an entire resource.<sup>11</sup> The CAISO also recognizes that how the split resources are modeled will affect how the resources are dispatched in the CAISO markets. The protocol will address such matters, including the allocation of minimum load between the split resources based on the configuration within which each resource operates. However, these considerations are mere implementation details that do not contradict the CAISO tariff, including the provision referenced by NCPA. Simply because the protocol reflects how the split resources will operate in the markets does not mean it significantly affect the rates, terms, and conditions of service under the CAISO tariff. The effect of the protocol on how each split resource is operated pursuant to existing CAISO tariff rules does not mean the split resource allocation protocol significantly affects the rates, terms, and conditions of service. This discussion simply highlights that implementation details can be significant, which is always the case. NCPA has failed to explain why the Commission should require a detailed report on these implementation details when the CAISO is not authorized to make any exception to its tariff through the development of the protocol, and DMM will be effectively positioned to monitor split resource participation in the market in accordance with the allocation protocol.

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<sup>11</sup> See *id.* at 5-6.

### C. Allocation

The protocol developed under the Agreement will address the allocation of outages between the split resources, and the unavailability of each split resource may have market or contractual consequences.<sup>12</sup> The Agreement appropriately accounts for this by (1) recognizing the pre-existing nature of the current agreement with SMUD governing the Calpine Sutter Energy Center and (2) establishing a principle for *pro-rata* allocation of outages except for operational conditions following the expiration of the pre-existing contract with SMUD this October. NCPA fails to explain why outages allocated on a basis other than *pro-rata* to comply with a pre-existing contract or to avoid infeasible dispatch should be filed in a report with the Commission. As explained above, the principles for allocating outages are established in the Agreement, and the implementation details will be documented in the protocol. DMM has oversight of outage reporting in accordance with the protocol. Moreover, the protocol may include sensitive non-public information concerning commercial arrangements and plant operations. Calpine remains responsible for any availability consequences under the CAISO tariff and its agreements with SMUD and a CAISO load serving entity. The outage allocation provisions of the protocol only establish how outages will be accounted by the split resources; it does not change the application of existing CAISO tariff rules associated with such outages, including availability for resource adequacy resources.

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<sup>12</sup> See *id.* at 6.

#### **D. Reliability**

The CAISO considered whether splitting the Calpine resource raised any reliability concerns, and concluded that no adverse impact to reliability would occur.<sup>13</sup> Each balancing authority, which in this case would be BANC and the CAISO, will account for the split resource pseudo-tied to their respective balancing authority area according to applicable reliability standards. Compliance with these requirements may require additional evidence with respect to contingency reserve accounting, specifically documentation accounting for the transfers separate from the other balancing authority area, but otherwise the CAISO fails to understand the concern expressed by NCPA. The CAISO and BANC will each have documented evidence and accounting through their energy management systems of the split resource that will be represented in their respective balancing authority areas.

#### **E. Replacement**

Lastly, NCPA requests that the Commission condition acceptance of the Agreement on its replacement once the CAISO develops its generally applicable proposal for split resource participation.<sup>14</sup> There is no need for such a condition. Section 3.2.1 of the Agreement already includes a provision that allows the CAISO to terminate the Agreement by issuing a 30-day notice once the Commission approves substantially similar rules in the CAISO tariff for shared

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<sup>13</sup> *Id.*

<sup>14</sup> NCPA at 7-8.

pseudo-tie resource participation. Moreover, transition to the generally applicable rules is the expectation of the CAISO and an understanding that Calpine shares. The CAISO anticipates that the stakeholder process on participation by shared resources will address issues involving several potential resources interested in pursuing options for split resource participation in the CAISO markets. However, as explained, Calpine is the only entity with a need for such treatment in the 2020 timeframe and, thus, the CAISO proposed the Agreement as an expedient option.<sup>15</sup> The CAISO will factor any information learned through implementing the Agreement and operating the split resources into its consideration of the issues raised in the stakeholder process.

NCPA suggests that the Commission should treat the Agreement as a pilot program. The CAISO respectfully submits that labeling the Agreement as a pilot is a distinction without any real difference. The CAISO will terminate the Agreement once substantially similar rules are generally applicable and available for Calpine and others to participate in the market as a shared pseudo-tie resource, and factor lessons learned along the way into its stakeholder process.

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<sup>15</sup> NCPA claims it would be unduly discriminatory if the Sutter Energy Center were treated differently under the Agreement than other similarly-situated resources. The CAISO notes that it has already indicated that, prior to the development and implementation of generally applicable rules, it is prepared to offer a comparable Split Resource Participation Agreement to any similarly situated resources where a multi-stage generating resource owned by a single entity seeks to split into individual simple generating units each of which will be able to participate in CAISO markets in accordance with the CAISO tariff and under the same terms as the Agreement. CAISO Transmittal Letter at 8.

### III. Conclusion

For the foregoing reasons, the CAISO requests that the Commission accept the Agreement as filed, without modification or condition.

Respectfully submitted,

**By: /s/ John C. Anders**

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Dated: May 28, 2020

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, pursuant to the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 28<sup>th</sup> day of May, 2020.

*/s/ Jacqueline Meredith*  
Jacqueline Meredith